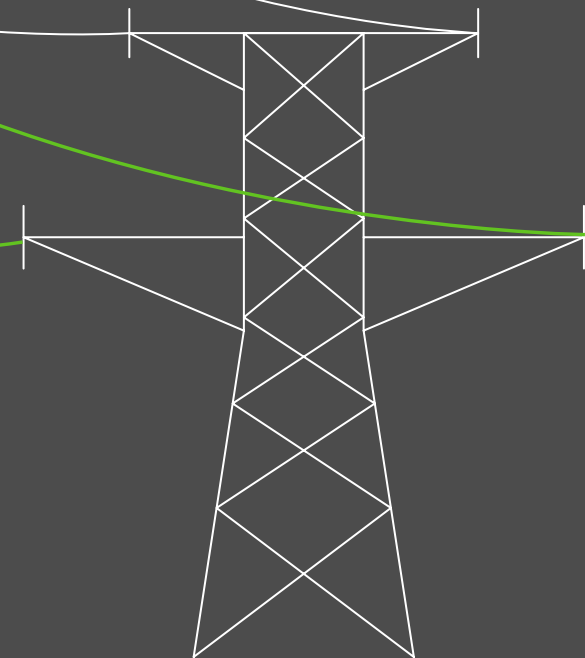


CARUNA

Investor Report

H2/2022

caruna | We bring electricity to you.



Investor Report H2/2022

KEY FINANCIAL (IFRS) AND OPERATIONAL INDICATORS FOR THE GROUP

EUR million or as indicated	2022	2021
Net sales	484.6	499.8
Profit for the period	52.0	47.8
Corporation tax	6.6	11.1
Investments	133.6	140.1
Cash flow after investments	48.6	48.5
Customers	726,000	714,000
System Average Interruption Duration Index per customer (SAIDI), minutes	85	71*
Reliability of supply rate (%)	99.98	99.99

*) calculation method has changed

KEY EVENTS DURING THE FINANCIAL PERIOD

At the end of 2022, Caruna had 726,000 customers. A total of 2,300 (2,800) new connection agreements were signed, 28 (14) of which were for medium- or high-voltage connections. Customer satisfaction improved significantly, as the cumulative NPS, a measure of customer satisfaction, stood at 27.9 (19.1) at the end of December.

Caruna's operating environment deteriorated in 2022 due to the extraordinary tightening measures taken by the regulator in the middle of the regulatory period and a general increase in costs due to the energy crisis triggered by the Ukraine war. The war in Ukraine did not have a direct financial impact on Caruna's business. The indirect impacts were significantly higher raw material, electricity and construction costs and

a shortage of components. Regardless of the previous, Caruna's EBITDA remained at a good level.

In November, the cost rises prompted Caruna to announce increases to the prices of both its distribution companies as of 1 January 2023. The post-tax prices for Caruna Oy's customers will increase by an average of approximately 3.9 per cent. The post-tax prices for Caruna Espoo Oy's customers (Espoo, Kauniainen, Kirkkonummi and the centre of Joensuu) will rise by an average of approximately 2.9 per cent.

From January to December, the total electricity supply volume on the distribution network decreased to 9.5 (10.1) TWh. The decrease was mainly due to the energy crisis sparked by the Ukraine war and a milder winter compared with the same period in the previous year.

The average interruption time in Caruna's electricity distribution (SAIDI) was 85 (71) minutes per customer between January and December, and the reliability of supply rate was 99.98 (99.99) per cent. The System Average Interruption Frequency Index (SAIFI) was 1.7 (1.3) interruptions per customer. Four major storms hit Finland in the year, the most destructive of which was storm Armi. In February, storm Armi caused a maximum of 9,700 customers to suffer electricity outages simultaneously in Espoo, West Uusimaa and Southwest Finland.

In January, international credit rating agency

Standard & Poor's (S&P) lowered Caruna's credit rating from "BBB+ and a significantly weakened outlook" to "BBB and a stable out-look". The drop is due to the changes made to the regulation model for electricity distribution companies during the regulatory period.

Caruna's CFO, Jyrki Tammivuori, was appointed CEO of the company on 13 May 2022. Jyrki Tammivuori was the company's acting CEO from 23 March to 12 May 2022. The company's SVP People, Public Affairs & Regulation, Noora Neilimo-Kontio, was appointed as Caruna's CFO and deputy CEO on 13 June 2022.

FINANCIAL DEVELOPMENT

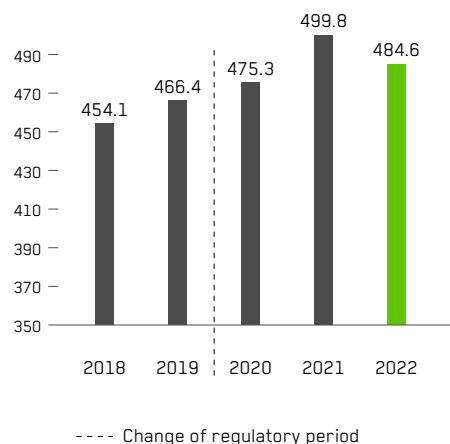
Caruna Group's net sales in 2022 amounted to EUR 484.6 (499.8) million. Net sales decreased by EUR 15.2 million (3.0 per cent) year-on-year. Caruna's net sales comprises of electricity distribution sales and connection fees. The electricity distribution sales decreased by EUR 22.2 million to the comparison year. The Ukraine war caused the energy crisis which sparked the energy prices in 2022. As a result, energy consumption decreased especially during the second half of the year. The decrease in electricity consumption decreased Caruna's electricity distribution sales by EUR 14.3 million. Year 2022 was colder than the comparison year which lowered Caruna's net sales by EUR 4.9 million. Caruna Espoo Oy decreased its distribution

prices on 1 November 2021. This resulted in a EUR 3.0 million decrease in the Group's net sales compared to the previous year.

Connection fee income increased by EUR 7.0 million year-on-year to EUR 23.8 million. In 2022, Caruna broke its record for the number of new connection points connected to the network, the largest of which was the connection for the Murtotuuli wind farm.

NET SALES

EUR million



Graph 1: Net sales

Direct costs, consisting of grid loss electricity purchases and grid service fees, were EUR 90.5 (93.8) million. The challenging geopolitical situation raised electricity market prices during 2022, increasing the cost of grid losses by EUR 8.3 million compared to 2021. Caruna hedged its purchases of grid losses in 2022 by entering into physical power purchase agreements. Without hedging, the costs of grid losses would have been EUR 25 million higher than the actual costs.

The grid service fees were EUR 11.5 million lower than in the comparison period. Lower supply volumes in the distribution network and the high-voltage distribution network reduced the grid service fees. In addition, the transmission system operator Fingrid did not charge distribution system operators for grid service fees in December. Both grid service fees and grid losses are pass-through items in regulation.

Other operating expenses, including external services, personnel costs and other operating expenses, were EUR 84.4 (88.2) million. The reasons for the increase in expenses included the introduction of Datahub, the Energy Authority network licence fee and wage increases under collective agreements of EUR 1.8 million compared to the previous year. Less fault repair and stand-by work reduced expenses, which was due to the number of storms. In addition,

measures to increase efficiency and productivity reduced other operating expenses. In May, Caruna concluded negotiations on changes affecting all of its personnel. As a result of the negotiations, the employment contracts of five people at Caruna Networks Oy ended. In Caruna Group as a whole, the employment contracts of 25 people ended.

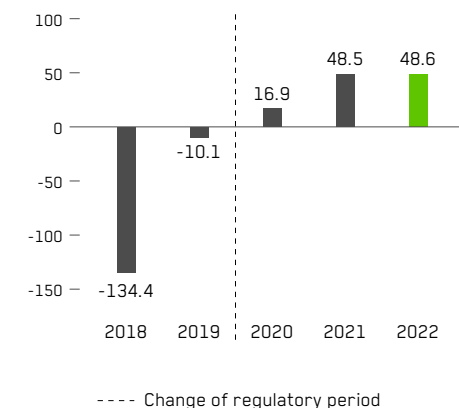
Depreciation, amortisation and impairment charges amounted to EUR 129.2 (132.2) million. This item includes EUR 6.5 (8.7) million in distribution network scrapping charges.

Consolidated operating profit amounted to EUR 184.5 (192.4) million. Net financing costs were EUR 119.3 (131.8) million. Non-recurring costs of EUR 10.8 million related to issuing the green bond and repaying the old bond were recognised in net financing costs in the comparison year (2021). Profit for the period was EUR 52.0 (47.8) million.

The Group's cash flow remained good. Cash flow after investments was positive at EUR 48.6 (48.5) million.

CASH FLOW AFTER INVESTMENTS

EUR million



Graph 2: Cash flow after investments

FINANCIAL KEY FIGURES (IFRS)

EUR million or as indicated	2022	2021
Net sales	484.6	499.8
Operating profit	184.5	192.4
Operating profit (% of net sales)	38.1	38.5
Profit for the period	52.0	47.8
Investments	133.6	140.1
Cash flow after investments	48.6	48.5
Interest-bearing net debt (at the end of the period)	3,310.8	3,316.1

Caruna's tax footprint in 2022 totalled EUR 302.9 million, consisting of the corporation taxes paid by the companies and the taxes and tax-like charges collected from Caruna's customers and remitted to the state.

BUSINESS ACTIVITIES

Caruna safeguards the reliable distribution of electricity to its customers as electricity consumption increases and we move from fossil to renewable energy. The company's investments in the electricity network ensure that customers can use domestic, renewable energy and become small-scale producers of electricity.

Caruna brings electricity to 726,000 customers in South, Southwest and West Finland, Joensuu and Koillismaa, corresponding to 20 per cent of Finland's electricity distribution. The total length of Caruna's electricity network was

88,600 kilometres at the end of the reporting period. The Group includes two network companies: Caruna Oy, which operates mainly in rural areas, and Caruna Espoo Oy, which operates in urban areas.

Caruna's operating environment deteriorated in 2022 due to the extraordinary tightening measures taken by the regulator in the middle of the regulatory period and a general increase in costs due to the energy crisis triggered by the Ukraine war. The alterations to the regulation model caused the company's calculated reasonable returns to decrease by approximately 40 per cent in comparison with the previous year.

The costs of raw materials, electricity and construction rose substantially. Electricity network construction costs rose by more than 10 per cent, and the costs of energy losses increased by approximately 35 per cent in 2022

compared with the previous year. The shortage of components also caused changes to the schedules of electricity network projects.

In November, the cost rises prompted Caruna to announce increases to the prices of both its distribution companies as of 1 January 2023. The post-tax prices for Caruna Oy's customers will increase by an average of approximately 3.9 per cent. The post-tax prices for Caruna Espoo Oy's customers (Espoo, Kauniainen, Kirkkonummi and the centre of Joensuu) will rise by an average of approximately 2.9 per cent.

In January 2022, the energy industry brought an appeal to the Market Court concerning the Energy Authority's (EA) changes to its regulatory methods midway through the regulatory period. The common view in the industry is that the authority did not have sufficient legal grounds to make the changes midway through the regulatory period and did not have the independence required by EU directives when the changes were prepared and implemented.

A record volume of wind power was connected to Caruna's network

A total of 2,300 (2,800) new connection contracts were signed, 28 of which were for medium- or high-voltage connections.

In June, Fortum announced its intention to work with Caruna on the implementation of an entirely new electric boiler concept for domestic

district heating production at the Suomenoja plant site in Espoo. Caruna supplied the project with Finland's first dynamic electricity connection. The project will also use a new way of ensuring adequate capacity in the electricity network, as the electricity required by the electric boiler can be regulated flexibly. The need for flexibility is constantly increasing as the production volumes of wind and solar energy will increase in the future.

In 2022, approximately 4.04 (4.22) TWh of renewable electricity was transferred into Caruna's network.

In 2022, renewable energy production capacity in Caruna's network totalled 1,612 (1,227) MW. Small-scale renewable energy production capacity also increased significantly to 177 (108) MW, and the number of small-scale producers in solar power systems below 1 MW was 19,700 (12,000) at the end of the year.*

Caruna's most significant carbon handprint (positive environmental impact) comes from connecting renewable energy to the electricity network.

The construction work on an internal network and the customer's own transmission line to the Murtotuuli wind farm was completed in spring 2022. Murtotuuli includes 21 separate power plants with a total output of 133 MVA. The wind farm is in Posio. The customer connection was commissioned in July.

The construction work on an internal network and the customer's own transmission line to the Rustari wind farm in Kurikka was completed in the spring. Rustari includes eight separate power plants with a total output of 45 MVA. The power plant was connected to Caruna's network in September.

In September, Caruna and Ruda Solpark Ab made an agreement to connect a solar farm to the electricity grid in Kemiönsaari. The solar farm is the first of its kind to connect to Caruna's medium-voltage network. The solar power plant will be built in a field containing 3,600 solar panels. In the future, the solar power plant should produce 1.98 MWp of electricity.

The drafts of Caruna's development plan for the electricity distribution network were on display for customers in the spring 2022.

Customers gave feedback on plans for adopting electric cars and solar panels, the opportunity for flexible electricity consumption, and customers' views on the reliability of the existing network and the necessary development. More than 4,000 customers responded to customer consultations. Most of the respondents were consumers. The final development plans and customer feedback summaries were published on Caruna's website in August.

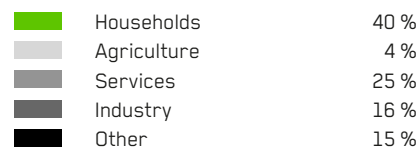
Caruna's customer satisfaction (NPS) improved substantially year-on-year to 27.9 (19.1). Customer satisfaction is measured among private customers, companies, landowners, municipal customers, and contractors.

Number of customers at the end of the financial period (thousands):

Company	2022	2021	2020
Caruna Oy	488	484	479
Caruna Espoo Oy	238	230	224
Total	726	714	703

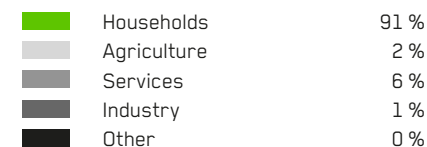
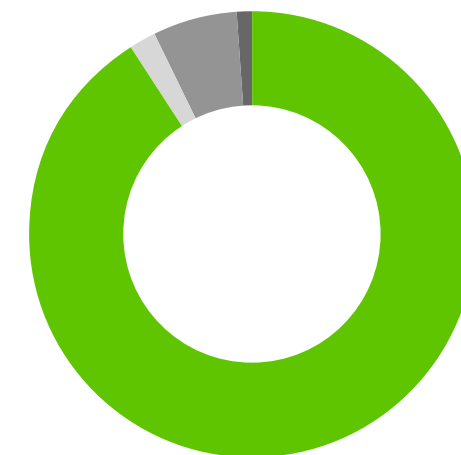
Households are the largest customer group, accounting for 91 per cent of all customers and 40 per cent of all the energy transferred. Industry and services account for seven per cent of customers and 41 per cent of the energy transferred.

CONSUMPTION BY CUSTOMER SEGMENT



Graph 3: Consumption by customer segment

NUMBER OF CUSTOMERS BY SEGMENT



Graph 4: Number of customers by segment

Fewer electricity network construction projects were started than planned due to the rise in cost levels and challenges in component availability

Caruna aims to modernise its electricity network over the long term in line with the needs of its customers and the energy transition. In the coming years, this will require investments in electricity network development and capacity increases, especially in the high-voltage electricity network.

Electricity networks are a key enabler of the energy transition. Society will become even more dependent on electricity as emissions are reduced and digitalisation progresses. The growing demand for electricity will be met with renewable energy, which will require continuous investments in the electricity system to ensure sufficient capacity.

The planning of a new underground cable connection between Hepokorpi and Finnoo in Espoo continued. The timetable for the project's permit applications is critical because Caruna aims to complete the project in 2025 or 2026. The new connection will increase the electricity transmission capacity in South Espoo and enable the electrification of transport and heating, among other things. The estimated cost of the project is approximately EUR 27 million.

The new Sinimäki substation in Espoo was commissioned in November. The new Sinimäki

substation will directly serve about 15,000 customers and indirectly distribute electricity to approximately 140,000 customers. To meet the growing demand for electricity, an underground cable was installed during the project to connect the primary substations in Leppävaara and Sinimäki.

The 110 kV Leppiniemi switching substation was built in Oulunjoki as part of the large-scale development measures on the main grid and distribution network in the Oulunjoki region. At the same time, 14 kilometres of high-voltage transmission lines were modernised, having reached the end of their life cycles. Fortum's 149 MW hydroelectric power station in Pyhäkoski was transferred from the transmission system operator Fingrid onto Caruna's 110 kV electricity network at the end of 2022.

Local Cable Projects continued in Caruna Espoo Oy's areas and in Central Uusimaa, Häme, Southwest Finland, Satakunta, Ostrobothnia and Koillismaa. The old low-voltage overhead lines in built-up areas will be replaced by new underground cable networks. Approximately 1,500 kilometres of new electricity network lines will be built in conurbations between 2022 and 2025.

In addition, Caruna is building 35 kilometres of new underground power cable and fibre optic network lines in collaboration with fibre-optic company Koillisnet and the City of Kuusamo. The joint construction will provide local residents and

businesses with a reliable electricity network and fast internet connections.

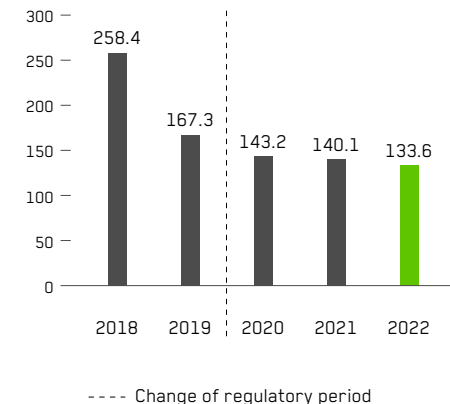
Planning and construction work continued on some projects to renovate the distribution networks in the Southwest Finland and Ostrobothnia regions. The aim is to modernise overhead lines that have reached the end of their life cycles. Approximately 2,600 kilometres of new electricity network lines will be built between 2022 and 2024.

Caruna Group's investments during the reporting period amounted to EUR 133.6 (140.1) million. Construction and raw material costs increased in 2022, while investment-related material prices rose by EUR 5.0 million and fuel prices by EUR 2.8 million. It was necessary to postpone electricity network modernisation projects until the years ahead due to the rises in costs and challenges in component availability. As a result of the above, investments in 2022 were EUR 6.5 million lower than in the comparison year.

The share of investments in the high-voltage distribution network was 13.7 (19.3) per cent. In 2022, investments were targeted at urban areas where the customer benefits from investments are significant due to the large number of customers. Development of the network in sparsely populated areas is continued based on age and condition.

INVESTMENTS

EUR million



Graph 5: Investments 2018-2022

Construction site safety

In 2022, there were six occupational accidents leading to lost working time on Caruna's construction sites. The comparable 12-month cumulative injury frequency (LWIF) in the company's supply chain stood at 4.1 (6.3) at the end of December.

In January, Caruna awarded safety prizes to its contractors and subcontractors for outstanding contributions to occupational safety. The prizes went to TLT Connection Oy, N3M Power Oy and the Kuusamo working group of Eltel Networks Pohjoinen Oy.

The security of supply remained excellent – electricity consumption decreased towards the end of the year as a consequence of the energy crisis

From January to December, the total electricity supply volume on the distribution network decreased to 9.5 (10.1) TWh. The decrease was mainly due to the energy crisis sparked by the Ukraine war and a milder winter compared with the same period in the previous year. The electricity supply volume on the high-voltage distribution network also decreased to 2.6 (2.7) TWh.

The reliability of the electricity supply is measured by the System Average Interruption Duration Index (SAIDI). Between January and December, Caruna's SAIDI score was 85 (71)

minutes. The reliability of supply rate was 99.98 (99.99) per cent. The System Average Interruption Frequency Index (SAIFI) was 1.7 (1.3) interruptions per customer.

The year's storms were concentrated in the early part of the year. The highest numbers of supply interruptions were caused by storms Armi and Manu in the first half of the year. Storm Manu caused a maximum of 7,000 customers to suffer electricity outages simultaneously in West and Southwest Finland and in West Uusimaa. In February, storm Armi caused a maximum of 9,700 customers to suffer electricity outages simultaneously in Espoo, West Uusimaa and Southwest Finland. Power outages have shortened due to grid development since 2012, and fewer customers are involved.

RESEARCH AND DEVELOPMENT

No research and development expenditure were recorded for the financial period. The expenses in the comparison years of 2021 and 2020 were EUR 0.2 million and EUR 0.2 million, respectively. In the comparison years of 2021 and 2020, research and development expenditure amounted to 0.20 and 0.19 per cent of operating expenses, respectively.

FINANCING

Electricity distribution is a capital-intensive sector. The network improvement programme in accordance with the security-of-supply criteria to be completed by the end of 2036 and the ongoing energy transition will require continuous additional financing. Caruna's debts amount to more than EUR 3 billion, of which over EUR 2 billion is external loans, and approximately EUR 800 million is in shareholder loans.

The purpose of Caruna's financing operations is to guarantee the Group's operations in the long-term and to ensure that the network improvement programme can be carried out as planned. To achieve this, the company arranges highly diversified funding from several capital markets.

During the financial period, Caruna drew a capex facility and working capital loan in a total amount of EUR 90 (130) million and repaid EUR 105 (90) million.

The remaining EUR 200 million tranche of a EUR 500 million bond issued in 2016 will mature in May 2023. EUR 300 million of the bond was refinanced in the previous year. Caruna intends to refinance the maturing EUR 200 million tranche in early 2023.

At the end of the financial period, the Group's external loans totalled EUR 2,600.3 (2,611.2) million. On the balance sheet date, 96 per cent of

Caruna's external loans had fixed interest rates when interest rate swaps are taken into consideration. The average interest rate on external loans at the end of the year was 2.1 per cent (2.0 per cent).

At the end of the year, Caruna had a fixed-interest shareholder loan amounting to EUR 774 million. The interest on the shareholder loan is paid semiannually if the covenants of the other external loans are met.

The committed credit facilities available on the balance sheet date were a capex and revolving credit facility amounting to EUR 235 (220) million, a bank overdraft limit of EUR 30 (30) million and a liquidity facility of EUR 6.7 (6.7) million.

Net financing costs recognised on the income statement for the financial period totalled EUR 121.0 (133.5) million, and the accrued interest expenses recognised on the balance sheet were EUR 36.2 (34.6) million.

Caruna complied with the covenant terms of all its loan agreements.

In January 2022, international credit rating agency Standard & Poor's (S&P) lowered Caruna's credit rating from "BBB+ and a significantly weakened outlook" to "BBB and a stable outlook". The drop is due to the changes made to the regulation model for electricity distribution companies during the regulatory period.

PERSONNEL

Caruna Group had 259 (308) employees at the end of the year, 69 (84) of whom were employed by the Group's parent company.

	2022	2021	2020
Number of employees 31 Dec	259	308	314
Average number of employees during the year	283	317	323
Wages and salaries (EUR million)	22.4	22.2	22.0

Every employee spent an average of 6.6 (3.7) hours in training. Absences accounted for an average of 1.8 (1.5) per cent of working time.

The employee commitment index rose substantially to 78 (69) per cent.

In May, Caruna concluded negotiations on changes affecting all of its personnel. As a result of the negotiations, the employment contracts of five people at Caruna Networks Oy ended. In Caruna Group as a whole, the employment contracts of 25 people ended. Information on personnel can be found in Caruna's annual report at caruna.fi.

RISKS AND UNCERTAINTIES

Risk management is a part of Caruna's internal control system, and Caruna regularly assesses the strategic, operational, and financial risks facing the Group. Risk management strives to ensure that any risks affecting the Group's

business operations are identified, managed, and monitored. The Group has taken out appropriate insurance policies that provide comprehensive cover for its operations.

Strategic risks

Strategic risks include, among others, regulatory risk, that is, harmful and negative impacts on the regulatory environment, challenges in the operating environment, and the availability of financing and competent resources.

Operational risks

The most significant risks to operations are related to abnormal weather conditions, supplier risk and safety. For example, abnormal weather conditions may affect the reliability of the distribution network. The key means of preventing interruptions are to replace overhead lines with underground cables, manage forests near over-

head lines, and develop remote network control. Information security threats increased in 2022. Caruna's activities have adjusted to this change in the operating environment. The operational risks are described in more detail in Caruna's annual report caruna.fi.

Financial risks

The financial risks are presented in note 19 (management of financial risks) to the consolidated financial statements.

STATEMENT ON CHANGES IN SHAREHOLDERS' EQUITY

Caruna Networks BV distributed a total dividend of EUR 37,900,000.00 to its shareholders.

GOVERNANCE

The General Meeting appoints the members of the Board of Directors for a term of office commencing at the Annual General Meeting and ending at the next Annual General Meeting. Planning the composition of the Board of Directors involves taking into account Caruna's current and future business needs and seeking to ensure the diversity of the Board in several aspects. Caruna's Board members must have adequate experience and expertise that complement those of the other members. The members' individual qualities are also emphasised.

GENERAL MEETINGS

Caruna Networks Oy's Annual General Meeting was held on 24 March 2022. The meeting approved Caruna's financial statements for 2021, adopted the consolidated income statement and balance sheet, and discharged the members of the Board of Directors and the CEO from liability. The meeting decided not to pay a dividend.

Caruna Networks Oy held Extraordinary General Meetings on 8 September 2022 and 14 November 2022. In September, the Board's proposal for a dividend payment to the shareholders was approved. In November, decisions were taken to amend the Articles of Association and elect a deputy member to the Board of Directors.

BOARD OF DIRECTORS

The Board of Directors convened 12 times in 2022. The Board of Directors consisted of Matti Ruotsala (Chair), James Adam, Andrew Furze, Jouni Grönroos, Shankar Krishnamoorthy, Kerron Lezama (until 15 December 2022), Fredrik Lundeborg and Laura Tarkka. The deputy members were Tara Davies (until 14 November 2022), Julie Giese (from 14 November 2022), Filip Szopa (from 24 March 2022) and Charles Thomazi.

Committees of the Board of Directors

The committees under the Board are the Audit Committee, the Nomination and Remuneration Committee, and the Health, Safety and Environment Committee. The committees support the work of the Board by preparing and evaluating matters for decision-making by the Board. Committee members are elected by the Board. The members' terms of office end at the conclusion of the next Annual General Meeting.

In 2022, the Audit Committee consisted of Jouni Grönroos (Chair), Shankar Krishnamoorthy, Kerron Lezama (until 15 December 2022) and Fredrik Lundeborg. The Audit Committee convened three times in 2022.

In 2022, the Nomination and Remuneration Committee consisted of Matti Ruotsala (Chair), James Adam and Andrew Furze. The Nomination and Remuneration Committee convened six times in 2022.

The Health, Safety and Environment Committee consisted of Shankar Krishnamoorthy (Chair), Kerron Lezama (until 15 December 2022) and Laura Tarkka. The Health, Safety and Environment Committee convened three times in 2022.

Management Team

The company's Management Team consisted of CEO Jyrki Tammivuori, CFO and Deputy CEO Noora Neilimo-Kontio, Head of Electrical Network Elina Lehtomäki and Head of Customer Relations Kosti Rautiainen.

The CFO and deputy CEO, Jyrki Tammivuori, was appointed CEO of the company on 13 May 2022. Jyrki Tammivuori was the company's acting CEO from 23 March to 12 May 2022. Tomi Yli-Kyyny was the company's CEO until 23 March 2022. The SVP People, Public Affairs & Regulation, Noora Neilimo-Kontio, was appointed as Caruna's CFO and deputy CEO on 13 June 2022.

AUDITING

At Caruna Networks Oy's Annual General Meeting 2022, audit firm Deloitte Oy was elected as auditor. Reeta Virolainen, Authorised Public Accountant, was the auditor with principal responsibility.

KEY EVENTS AFTER THE FINANCIAL PERIOD

In relation to the appeal that the energy industry brought to the Market Court in January 2022 concerning the Energy Authority's changes to the regulatory methods midway through the regulatory period, the Market Court decided in February to seek a preliminary ruling from the Court of Justice of the European Union (CJEU) concerning the authority's independence. If the

CJEU decides to consider a preliminary ruling, the process will take about one year longer.

The Board appointed James Adam as the member of the Audit Committee and the Health, Safety and Environment Committee on 30 January 2023.

ESTIMATE OF PROBABLE FUTURE DEVELOPMENTS

Caruna Oy and Caruna Espoo Oy operate as part of Caruna Group and within the framework of the electricity distribution industry in a regulated operational environment. Caruna Networks Oy will continue to operate as the parent company, offering administrative services to the other companies in the Group, along with other services to support electricity distribution for customers and partners. The operations are expected to continue in accordance with normal business principles and conditions.

Since 2013, Caruna has systematically implemented a large-scale investment programme to improve the security of supply. The focus of network development will shift to enabling the energy transition when the security of supply criteria have been satisfied. Annual investments will increase as the energy transition progresses in response to customer needs.

The Energy Authority continued developing the regulatory model that will enter into force in 2024 with the aim of achieving effective regula-

tion that supports society. According to Caruna's estimate no major changes are expected.

The continuation of the war in Ukraine has changed the energy system's production structure. This makes it more challenging to ensure sufficient electricity production in Finland at all times. Caruna takes care of electricity distribution for its customers who are critical to the security of supply. If there is a shortage of electricity production, Caruna manages electricity shortage evenly among its customers.

As a result of the energy crisis following the war in Ukraine, Caruna's purchasing costs for grid losses will increase by more than EUR 40 million in 2023 compared to 2022. In 2022, the increase in the market price of electricity was not reflected in Caruna's results due to successful hedging. No such hedging benefit is expected in 2023. Investment costs are expected to rise further in 2023, which will have an impact on initiating new investments. Cost increases are expected to level off in the long term. Caruna aims to offer reasonable pricing, despite the significant changes taking place in the operating environment.

The electricity network is being developed in the most cost-effective way based on life-cycle costs, for example, by examining the opportunities to use battery storage facilities and demand-side management to cover rapidly changing customer requirements. As a pioneer, Caruna

aims to promote the increase of renewable energy production in society and the electrification of transport in order to achieve Finland's carbon neutrality goals by 2035. The electricity network will be developed into a reliable platform on which these solutions can be rapidly and efficiently deployed.

Market interest rates, such as Euribor, have risen by almost four percentage points in a year. This will be reflected in higher costs of external capital in the future.

REGULATORY AND BUSINESS UPDATE

Amendments to regulatory framework, deriving from Energy Market Act changes in 2021, took place from the beginning of 2022. Amendments included update to regulatory unit prices and thus regulatory asset value based on 2020 cost data, changes in risk free rate definition methodology (from 10-year market rate averages to 1-year market rate averages) and removal of security of supply incentive. Updates are valid only the last 2 years (2022 and 2023) of the on-going regulatory period. For Caruna Group amendments resulted as ca. 40 MEUR decrease in reasonable return, 670 MEUR decrease in regulatory asset value and approx. 70 MEUR decrease in allowed income when compared to previous methodology. Due to large cumulative

regulatory deficit at the end of 2021, these changes will not have immediate impact on Group EBITDA and cash flows.

Amending regulatory methods within on-going regulatory period is exceptional and requires strong legal groundings due to primary nature of ex ante regulatory supervision. In this case industry considered that no adequate legal groundings existed and decided to appeal of made amendments to Market Court. 72 of 77 DSOs participated to appeal. Caruna among these. Market Court process is currently on-going and Court decision is earliest awaited in the beginning of 2024. Currently Finnish Market Court has decided to apply a preliminary ruling from EU Court regarding the independence of Regulator from political guidance and decision making in relation to setting methods for defining distribution tariffs.

Energy Market Act update, which took place in 2021 also required that DSOs organise a hearing process for their customers regarding bi-annually reported network development plans. The hearing took first time place in May 2022 and Caruna obtained over 4000 responses from its customers. Hearing results confirm company's view on developing the network not only to further weatherproofing but also to enable growing capacity needs via increasing renewable

energy production as well as electrification of heating, transportation and industrial processes.

In addition to previous regulatory method development towards the 6th regulatory period starting in 2024 was started by Energy Authority. Different framework elements were under discussion during 2022. Initial framework will be available for commentary during Q1 2023 and finalising the methods in September & October 2023. Energy Authority established a Stakeholder Steering Group consisting of various stakeholder groups (DSOs, TSO, industry and customer interest promotion organisations, Consumer and Competition Authority, energy producers etc.) to guide the work and discuss the needed development. Caruna is one of the DSOs having representation in the Stakeholder Steering Group. The Stakeholder Steering Group worked only in 2022.

The public discussion around distribution tariffs and regulatory model logics has decreased and been replaced by high energy prices. Public and political eye is on inflation and ways to support consumer customers purchasing power. This has taken some scrutiny away from electricity distribution.

Caruna has solid interest promotion plan in place to drive long-term development which allows further value creation. This is done by

actively participating in regulatory model development both as an individual company as well as via Energy Industry Associations' Committees as well as via improving the public image and reputation of the company. Caruna has a stakeholder management plan which aims to increase decision makers' awareness about Caruna's interests. We also carry out internal development initiatives to be able to mitigate and amend our operations to any negative changes in the regulatory model. As the largest DSO with proven efficiency and competitive advantage we believe to be in good position to secure successful operations also in future.

Summary of financial result of Caruna Networks BV Group January-December 2022

Key notes to the Income Statement:

- **Net sales EUR 484.6 million (budget EUR 481.5 million):** The difference to budget was EUR 3.1 million (0.6%). The distribution sales were EUR 4.2 million less than budgeted driven by lower volume because of milder than anticipated weather especially at the beginning of the year. In addition, the energy crisis raised the price of electricity sharply in 2022. The price rise reduced electricity consumption, causing income from electricity distribution in the distribution network to decline. Connection fees in other sales were EUR 7.3 million higher than plan due to higher number of new connections.
- **Direct costs EUR 90.5 million (budget EUR 91.1 million):** Direct costs were at the budgeted level. Grid service fees were EUR 10.5 million lower than planned due to lower volumes (EUR 2.0 million) and grid service fee discount from TSO (EUR 8.5 million). High energy market prices resulted EUR 10 million cost overrun in grid loss fees. Caruna gained EUR 25 million benefit from hedging.
- **Fixed costs EUR 84.4 million (budget EUR 81.1 million):** Fixed costs were EUR 3.3 million higher than budgeted. The deviation was driven by higher than planned fault repairing costs and other network related costs (EUR 2.9 million).
- **Depreciation & amortisation EUR 129.2 million (budget EUR 129.3 million):** The depreciation and amortisation were at the budgeted level. Depreciation includes EUR 30.1 million depreciation of fair value adjustments.
- **Net financing expenses EUR 119.3 million (budget EUR 115.8 million):** The increase in net financing expenses, EUR 3.5 million comes mostly from the unbudgeted other financial items and higher loan arrangement fees.

1. We confirm that in respect of this Investor Report dated 9 March 2023, by reference to the most recent Financial Statements that we are obligated to deliver to you in accordance with paragraph 1 (Financial Statements) of part 2 (Information Covenants) of Schedule 2 (Borrower Security Group Covenants) of the Common Terms Agreement:
 - a. the Senior Interest Cover Ratio in respect of the Relevant Period is estimated to be greater than or equal to 1.7x; and
 - b. the Senior Leverage Ratio in respect of the Relevant Period is or is estimated to be greater than or equal to 5.0%, (together the "Ratios").
2. We confirm that each of the above Ratios has been calculated in respect of the Relevant Period(s) or as at the Calculation Dates for which it is required to be calculated under the Common Terms Agreement.
3. We confirm that:
 - a. no Default or Trigger Event has occurred and is continuing;
 - b. the Borrower Security Group is in compliance with the Hedging Policy; and
 - c. the statements set out in this Investor Report are accurate in all material respects.

Yours faithfully

Officer

Signing without personal liability, for and on behalf of Caruna Networks Oy as Borrower Security Group Agent

Income Statement

1 January–31 December 2022

EUR million, cumulative	ACT Jan-Dec 2022	BUD Jan-Dec 2022	Diff	ACT Jan-Dec 2021	Change	BUD Jan-Dec 2023
Distribution sales	460.8	465.0	-4.2	483.0	-22.2	491.1
Other sales	23.8	16.5	7.3	16.8	7.0	18.0
Net sales	484.6	481.5	3.1	499.8	-15.2	509.1
Direct costs	-90.5	-91.1	0.6	-93.8	3.3	-122.1
Sales margin	394.1	390.4	3.7	406.0	-11.9	387.0
Other Income	4.0	5.0	-1.0	6.8	-2.8	3.0
Personnel costs	-26.7	-23.1	-3.6	-27.1	0.4	-25.0
Repairs & maintenance	-23.3	-21.0	-2.3	-25.1	1.8	-21.6
External services	-23.7	-20.3	-3.4	-22.2	-1.5	-23.0
Other expenses	-10.7	-16.7	6.0	-13.8	3.1	-10.0
Total fixed costs	-84.4	-81.1	-3.3	-88.2	3.8	-79.6
EBITDA	313.7	314.3	-0.6	324.6	-10.9	310.4
Depreciation and amortisation	-129.2	-129.3	0.1	-132.2	3.0	-129.7

EUR million, cumulative	ACT Jan-Dec 2022	BUD Jan-Dec 2022	Diff	ACT Jan-Dec 2021	Change	BUD Jan-Dec 2023
Operating profit	184.5	185.0	-0.5	192.4	-7.9	180.7
Financial Income	3.9	-	3.9	2.2	1.7	-
Interest expenses on Senior loan	-54.9	-49.2	-5.7	-54.4	-0.5	-55.8
Interest expenses on Shareholder loan	-64.9	-65.8	0.9	-64.9	0.0	-65.8
Ongoing fees	-0.7	-0.6	-0.1	-0.8	0.1	-0.8
Loan arrangement fee amortisation	-1.3	-0.2	-1.1	-1.6	0.3	-0.1
Other financial items	-1.4	-	-1.4	-12.3	10.9	-
Total financial income / expense	-119.3	-115.8	-3.5	-131.8	12.5	-122.5
Profit before tax	65.2	69.2	-4.0	60.6	4.6	58.2
Income taxes	-6.6	-12.0	5.4	-11.1	4.5	-5.4
Deferred taxes	-6.6	-2.5	-4.1	-1.7	-4.9	-16.5
Profit for the period	52.0	54.7	-2.7	47.8	4.2	36.3

Balance sheet

EUR million	ACT 31 Dec, 2022	BUD 31 Dec, 2022	ACT 31 Dec, 2021	BUD 31 Dec, 2023
Assets				
Non-current assets				
Intangible assets	1,647.3	1,591.7	1,644.7	1,642.5
Property, plant and equipment	2,416.4	2,494.0	2,414.8	2,434.9
Other non-current assets	52.1	6.7	4.6	29.7
Total non-current assets	4,115.8	4,092.4	4,064.1	4,107.1
Current assets				
Trade receivables	112.6	117.2	127.7	134.4
Other current receivables	4.0	5.6	4.3	0.5
Cash and cash equivalents	59.1	62.7	63.4	52.0
Total current assets	175.7	185.5	195.4	186.9
Total assets	4,291.5	4,277.9	4,259.5	4,294.0
Equity				
Share capital	0.0	0.0	0.0	0.0
Invested distributable funds	171.3	171.2	171.3	171.2
Profit for the period	52.0	54.7	47.8	36.3
Retained earnings	-300.6	-314.2	-310.5	-295.2
Other equity components	37.7	-20.8	-15.6	18.3
Total equity	-39.6	-109.1	-107.0	-69.4

EUR million	ACT 31 Dec, 2022	BUD 31 Dec, 2022	ACT 31 Dec, 2021	BUD 31 Dec, 2023
Liabilities				
Non-current liabilities				
Senior loan	2,403.2	2,626.1	2,613.8	2,589.2
Loan arrangement fees	-7.1	-8.4	-8.0	-7.1
Shareholder loan	773.6	773.6	773.6	773.6
Derivative financial instruments	0.0	34.4	19.8	0.0
Deferred tax liabilities	527.9	509.0	511.1	534.3
Other non-current liabilities	304.9	305.7	305.3	307.7
Total non-current liabilities	4,002.5	4,240.4	4,215.6	4,197.7
Current liabilities				
Current portion of Senior loan	200.2	-	-	-
Trade payables	26.6	53.2	46.0	39.7
Accrued interest expenses	35.8	35.5	34.1	35.4
Other current interest-free payables	66.0	57.9	70.8	90.6
Total current liabilities	328.6	146.6	150.9	165.7
Total liabilities	4,331.1	4,387.0	4,366.5	4,363.4
Total equity and liabilities	4,291.5	4,277.9	4,259.5	4,294.0

Cash flow Statement

EUR million	ACT Jan-Dec 2022	BUD Jan-Dec 2022	Diff.	ACT Jan-Dec 2021	Change	BUD Jan-Dec 2023
Cash flow from operating activities						
Result for the period	52.0	54.7	-2.7	47.8	4.2	36.3
Adjustments:						
Income tax expenses	13.2	14.5	-1.3	12.8	0.4	21.9
Finance costs-net	119.3	115.8	3.5	131.8	-12.5	122.5
Depreciation, amortisation and impairment charges	129.2	129.3	-0.1	132.2	-3.0	129.7
Operating profit before depreciations (EBITDA)	313.7	314.3	-0.6	324.6	-10.9	310.4
Non-cash flow items and divesting activities	0.0	0.0	0.0	0.0	0.0	-
Interest received	2.4	-	2.4	2.1	0.3	-
Interest paid, Senior loan	-53.5	-48.9	-4.6	-56.6	3.1	-55.1
Interest paid, Shareholder loan	-64.9	-64.9	0.0	-64.9	0.0	-64.9
Ongoing fees, paid	-0.7	-0.7	0.0	-0.8	-	-1.6
Other financial expenses paid	-1.8	-	-1.8	-16.0	14.2	0.0
Taxes	-4.1	-12.0	7.9	-13.0	8.9	-5.4
Funds from operations	191.1	187.8	3.3	175.4	15.7	183.4
Change in working capital	-16.5	0.9	-17.4	11.4	-27.9	-27.8
Total net cash from operating activities	174.6	188.7	-14.1	186.8	-12.2	155.6

EUR million	ACT Jan-Dec 2022	BUD Jan-Dec 2022	Diff.	ACT Jan-Dec 2021	Change	BUD Jan-Dec 2023
Cash flow from investing activities						
Capital expenditures	-126.7	-154.4	27.7	-139.1	12.4	-111.0
Proceeds from sales of fixed assets	0.7	-	0.7	0.8	-0.1	-
Total net cash used in investing activities	-126.0	-154.4	28.4	-138.3	12.3	-111.0
Cash flow before financing activities	48.6	34.3	14.3	48.5	0.1	44.6
Cash flow from financing activities						
Proceeds from long-term liabilities	90.0	148.0	-58.0	430.0	-340.0	197.0
Payments of long-term liabilities	-105.0	-130.0	25.0	-390.0	285.0	-200.0
Dividends paid	-37.9	-35.1	-2.8	-103.5	65.6	-50.0
Other financing items	-	-0.4	0.4	-0.2	0.2	-
Total net cash used in financing activities	-52.9	-17.5	-35.4	-63.7	10.8	-53.0
Total net increase(+) / decrease(-) in cash and cash equivalents	-4.3	16.8	-21.1	-15.2	10.9	-8.4
Cash and cash equivalents in the beginning of the period	63.4	45.9	17.5	78.6	-15.2	60.4
Cash and cash equivalents at the end of the period	59.1	62.7	-3.6	63.4	-4.3	52.0

Ratio ICR	31 Dec 2022, Backward	31 Dec 2022, Forward	31 Dec 2022, Extended Forward
Senior Interest Cover Ratio	5.9x	5.4x	-
Lock-up	1.7x	1.7x	-
Lock-up breach	-	-	-
Default	1.2x	-	-
Default breach	-	-	-
Senior Leverage Ratio	10.9%	9.8%	11.4%
Lock-up	5.0%	5.0%	5.5%
Lock-up breach	-	-	-
Default	4.0%	-	-
Default breach	-	-	-

EUR million	ACT Jan-Dec 2022	BUD Jan-Dec 2022	Diff	ACT Jan-Dec 2021	Change
Permitted Acquisition	-	-	-	-	-
Permitted Disposal	0.7	-	0.7	0.8	-0.1
Permitted Distribution	-102.8	-100.0	-2.8	-168.4	65.6
Additional Financial Indebtedness	-	-	-	-	-

Loan covenant ratio calculation

EUR million	H1/2022	H2/2022	"Backward" 31 Dec 2022	H1/2023	H2/2023	"Forward" 31 Dec 2023	"Extended" 36 months total
Senior Interest Cover Ratio, Denominator:							
EBITDA	165.2	148.5	313.7	153.1	157.3	310.4	
+ Taxes	-6.1	-0.5	-6.6	-2.7	-2.7	-5.4	
Consolidated EBITDA - taxes, total	159.1	148.0	307.1	150.4	154.6	305.0	
Senior Interest Cover Ratio, Numerator:							
Interest Costs, Senior	-25.4	-25.6	-51.0	-27.3	-28.5	-55.8	
Ongoing fees, Senior	-0.5	-0.2	-0.7	-0.4	-0.4	-0.8	
Net Finance Charges, Senior total	-25.9	-25.8	-51.7	-27.7	-28.9	-56.6	
Senior Interest Cover Ratio			5.9x			5.4x	
Senior Leverage Ratio, Denominator:							
EBITDA	165.2	148.5	313.7	153.1	157.3	310.4	361.1
Interest Costs, Senior	-25.4	-25.6	-51.0	-27.3	-28.5	-55.8	-58.4
Ongoing fees, Senior	-0.5	-0.2	-0.7	-0.4	-0.4	-0.8	-0.8
+ Taxes	-6.1	-0.5	-6.6	-2.7	-2.7	-5.4	-8.7
Funds from Operations, FFO	133.2	122.2	255.4	122.7	125.7	248.4	293.2
Senior Leverage Ratio, Numerator:							
Senior debt		2,403.2	2,403.2		2,589.2	2,589.2	2,624.4
Cash		-59.1	-59.1		-52.0	-52.0	-51.8
Net debt - Senior		2,344.1	2,344.1		2,537.2	2,537.2	2,572.6
Senior Leverage Ratio			10.9%			9.8%	11.4%

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